FEDERAL CUTBACKS AND WORKING AFDC RECIPIENTS: A PRELIMINARY IMPACT ANALYSIS

by

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December 1982

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ACKNOWLEDGEMENTS

Special acknowledgement is due Mark Reynolds-Rucinski for computer analysis and Chris McKee for typing. Both performed well under great time pressure.

Financial support for this effort has come from a large number of external sources in addition to funds and staff support from the two sponsoring centers. The breadth of financial support is indicative of the broad interest in the topic. Those sources are acknowledged below with appreciation.

Bush Foundation
Hennepin County
Minneapolis Foundation
Minnesota Department of Public Welfare
United Way of Minneapolis Area

However, the content of this report is the responsibility of the authors and is not necessarily endorsed by the Center for Health Services Research, the Center for Urban and Regional Affairs, or any of the supporting groups.

BACKGROUND

Families on welfare but also earning money through a job have been impacted by federal cutbacks. New regulations affecting working AFDC (Aid to Families with Dependent Children) recipients were implemented in Minnesota starting on February 1, 1982. The regulations were aimed at saving public monies and at forcing people with employment capability to support themselves. Critics argued that the regulations would bring excessive hardship to those working recipients. They would be either terminated from the program or have their benefits reduced. Some would suffer through these cutbacks, but most would be forced to use other public services or quit work and return to the AFDC rolls; no money would be saved argued the critics. This report is an interim attempt to document in fact, how these people have been affected and how they have responded. It is based on a longitudinal study of a random sample of people who were working recipients in January 1982 in Hennepin County, Minnesota. A telephone survey collected data for January 1982 (before the regulations were implemented) and another survey collected data for July 1982. The results are preliminary and await further information from another survey for January 1983.

In addition to medical coverage (Medicaid/Medical Assistance) and access to food stamps, the AFDC recipient receives a cash allowance to support the family. This amount is determined by a state-specified standard of need based on family size and composition. For working recipients the cash allowance is reduced by the amount earned after deducting for various work expenses. Only when net income is less than this standard of need do recipients remain eligible for AFDC. Prior to the changes most expenses were deducted in the amounts incurred. Starting in February, strict limits were placed on the use and extent of these expenses. First, anyone with gross earnings over 150 percent of the standard of need is terminated from the program regardless of the amount of work expenses. A mother with one child would be thus terminated if she worked full time at only the minimum wage ($3.45 per hour). Second, limits are placed on expense categories: $160 per child per month for day care and $75 per month for all other work expenses <u>including</u> taxes. Finally, a work incentive disregarding $30 and one-third of gross income is now limited to the first four months of work and is computed on net income instead of gross. Without this incentive, working recipients will have no greater income than non-working recipients. This four month delay was also allowed those first coming under the new formula even though they continued at an old job. For many in Minnesota, program termination or a further cash reduction came June 1.

Critics predicted many negative consequences of the new regulations. People would respond in a number of ways which would be counterproductive to government or individual goals. A number of these predicted responses are listed below.

- Labor Force Participation. Many will cut back on hours or quit work altogether and collect their sole support from AFDC. Others will work more hours or take a second job trying to make up for lost income.
- Economic Status. Net income will decline and basic needs will consume a larger portion of income.
- Health Care. Those who leave AFDC will not be able to afford replacement health insurance and will delay seeing physicians and dentists except in acute conditions.
- Day Care. Fewer day care services will be used, and the arrangements will be more informal and less satisfactory.
- Household Composition. Many changes may occur including: sharing housing, moving back with parents or remarriage.
- Housing. People will move more frequently, looking for less expensive quarters and willing to accept lower quality and less space.
- Financial Emergencies. There will be a greater incidence of repossessions, evictions, utility shut-offs and food shortages.

Using case records, officials in Hennepin County have been able to examine a few of these issues. Hennepin is Minnesota's largest county both in total numbers and in number of AFDC recipients; Minneapolis is the county seat. In January 1982, some 3,326 recipients were employed, representing 22 percent of all recipients (Update on Hennepin County AFDC Trends, Bulletin #1, October 1, 1982). By July most of those people had been terminated. For those still on AFDC and working, their disposable cash from both work and AFDC was only $44 more than those on AFDC and not working. Following those 3,326 recipients through to July, the county found 69 percent no longer on the AFDC caseload. The remainder were on the caseload, but fairly evenly split between working (15 percent) and not working (16 percent).

These findings are important, but not complete. Nothing is known about the movement of people off and back onto the program. Little is known about health needs or how they are met or about any of the other important factors listed above even for those still on AFDC. For those off AFDC, nothing is known about any of these factors. In short, the human impact and reaction cannot be determined from case records.

Knowing this would be the case, Hennepin County officials approached the University of Minnesota in late 1981. The University's Center for Health Services

Research and Center for Urban and Regional Affairs agreed to design and implement a longitudinal study of those affected by the cuts. A survey was completed asking specific questions within the above seven major aspects of their lives in January, before the new regulations took effect. Identical questions were asked six months later concerning July. This report presents results from the two surveys. It describes the impact of the changed federal regulations and people's reactions. This report is "interim" in two senses. First, it provides an overview of what is happening, but not an in-depth analysis. Second and more importantly, six months has been too short a time period for people to have made final adjustments to their new circumstances. The period is far too short for those whose income-disregard incentive expired in June. Temporary solutions will suffice in the short-run, especially if that period is examined in mid-summer. A later report will provide a more complete analysis following a third survey in January 1983. This report offers an important look at how people are beginning to react to the new regulations. It was prepared with the intent of showing policy makers where their actions have had the desired effect and where they have not. It is hoped that with this information, policy makers in all sectors and at all levels of government can begin to consider actions to ameliorate negative impacts while reinforcing the positive impacts.

METHODOLOGY

A random sample of working AFDC recipients was drawn and interviewed by telephone at two periods of time. The sample was drawn from Hennepin County case records for all those with household income above their AFDC grant. A letter describing the study was sent by the county to every AFDC recipient in Hennepin County with an outside income in January 1982. Each was asked to participate in the study and invited to complete and return an enclosed consent form allowing the county to give their name to the University study team. Twenty-eight percent agreed to participate in the study. The county compared respondents to non-respondents on those characteristics on file in the case records (e.g. family size, age, income) and found the 955 respondents representative of their population except for 10 percent higher earned income. It was felt that this single factor did not warrant the use of stratified or other sampling strategies since the final analysis could control for respondent income.

A number of characteristics were used to define who would be eligible to be part of the study. The goal was to create a study panel of families containing at least one working adult with one or more children. This required removing those cases with monthly household income of less than $30, where the grant covered the child only, and other special cases. There was no guarantee that the respondent was actually working in January (due to a two month time lag in the Hennepin County Information System), but they were all labor force participants, having worked in 1981. In fact, 9 percent were not working in January which was comparable to the U.S. unemployment rate, though higher than the 5.8 percent rate for the Twin Cities at that time (Twin Cities Labor Market Information; Minnesota Department of Economic Security).

A sample was then drawn and recipients interviewed by telephone. A professional survey organization, Mid-Continent Surveys, Inc., did the interviewing. For each completed interview, the respondent was paid $10. This incentive plus a keen interest in the topic led to a 90 percent completion rate on the first survey or 587 respondents. The survey collected data for January 1982 and the second survey collected data for July 1982. The retention rate for the second survey was a remarkably high 95 percent. Data for two time periods on 558 families have resulted. It is from their experiences that this study has been prepared.

INTRODUCTION TO RESULTS

This section of the report has two goals: to describe the respondents and to clarify the method of presentation of the results sections which follow. While many things about the respondents may change over time, others cannot. Those general characteristics are given below. Each of the sections which follow examine one aspect of the lives of these people using text and tables. Aggregate changes will be described for many specific areas, e.g. hours of day care used, but differential changes among sub-groups will also be discussed.

The survey respondent was fairly typical of all AFDC working recipients in January. She was a 31 year old white woman with a high school degree and two children. To be more specific: 98 percent were women, 86 percent were white, 77 percent had a high school diploma, and the average family had 3.2 members including 1.8 children. In the pages that follow each major topic will be preceded by text which generally describe what has happened in that area. The text will be much like that in this paragraph. That section will then conclude with tables which provide more detail and depth to the interpretation. The following two tables, describing the survey population are typical, except that they do not present data on change over time.

RACE OF RESPONDENT

White	86%
Black	7%
Indian	3%
Asian/Pacific Islander	2%
Chicano/Latino	2%

EDUCATION OF RESPONDENT

Less than high school	14%
High school graduate	77%
College graduate	9%

Results are presented for the July survey and where appropriate, the results from the January survey are presented for comparison. Unless otherwise noted, figures will represent an average for all 558 families in the study. These averages provide a good overview but cannot completely describe the range of experiences of individual families.

The indicated changes over this six-month period can stem from many causes with two of the more crucial being changes in AFDC status and changes in labor force participation. Both were examined and where any differences appear among groups, they are noted in brief statements following the table. In February (or later for a few) people were terminated (64.0 percent); had their grant reduced (32.4 percent); or for a few, had their grant increased (3.6 percent) by a small amount. Sometimes it is appropriate to differentiate reactions by these three groups and, if they are different, they are noted below each table.

More often, it is more appropriate to examine July situations by July AFDC and work status. Four possible groups result. Listed with the percentage found in the respondent group, they are:

- off AFDC and working (64.0 percent)
- off AFDC and not working (4.5 percent)
- on AFDC and working (15.9 percent)
- on AFDC and not working (15.6 percent)

These percentages match those found by Hennepin County for all recipients working in January and further document the representativeness of the sample. These descriptions are often used in explaining a table. When appropriate, these factors may be combined into single dimensions, such as working or not.

Before presenting the first of the major results sections, labor force participation, it is appropriate to examine the paths various people took between their initial change in AFDC status in February, and their ultimate work/AFDC status in July. As shown in the table below, initial change in February AFDC status did not guarantee a specific July status. Much instability was expected and much was witnessed already by July. The most tenacious were those terminated who continued off AFDC and working in July (84.9 percent). Even for this group, there was a 15 percent change in status with 11 percent returning to the AFDC program. Of those who had their grant reduced in February, only one third were still on AFDC and working. One-third were out of work and receiving support from AFDC. Another one-third were off AFDC in July and supporting themselves through work. This distribution was due, in part, to the expiration of the four month income disregard incentive which made it financially unrewarding to work for some and which terminated eligibility for others.

PATHS FROM JANUARY 1982 OF 558 WORKING AFDC RECIPIENTS

February 1982	July 1982		
AFDC grant terminated 357 (64.0%)	Off AFDC and working	303	(84.9%)
	Off AFDC and not working	16	(4.5%)
	On AFDC and working	20	(5.6%)
	On AFDC and not working	18	(5.0%)

10.6% of those terminated in February were on AFDC in July.

February 1982	July 1982		
AFDC grant reduced 181 (32.4%)	Off AFDC and working	49	(27.0%)
	Off AFDC and not working	9	(5.0%)
	On AFDC and working	66	(36.5%)
	On AFDC and not working	57	(31.5%)

One-third of those with AFDC grants reduced in February were off AFDC in July, one-third were on AFDC and working and one-third were on AFDC and not working.

February 1982	July 1982		
AFDC grant increased 20 (3.6%)	Off AFDC and working	5	(25.0%)
	Off AFDC and not working	0	(0.0%)
	On AFDC and working	3	(15.0%)
	On AFDC and not working	12	(60.0%)

Three-fourths of those with AFDC grants increased in February were still on AFDC in July with the large majority not working.

LABOR FORCE PARTICIPATION

Recent changes in federal policy were expected to have a significant impact on the incentive of AFDC recipients to work. Those who were terminated were expected to either reduce (or eliminate) work in order to regain AFDC benefits or to increase their work in order to make up for lost income. Those who remained on AFDC were expected to reduce or eliminate work since the financial incentive to earn income would be reduced initially and further after the four month income disregard had expired.

One fifth of the respondents were unemployed in July: double the January rate for recipients and double the national rate for July. The majority of this unemployment appears to be due to the depressed economy rather than an effort to continue AFDC eligibility. One-fourth of the respondents did not have the same job in July that they had in January but the explicit most important reason given was that they were laid off or fired.

Details of labor force participation are best presented through the experiences of those off AFDC and working, those on AFDC and working, and those on AFDC and not working (those off AFDC and not working will not be discussed because there are only 25 people in the group). Those off AFDC and working have increased their weekly hours worked, hourly pay rate, and frequency of holding a second job. Those on AFDC and working did not have major changes in their hours worked, hourly pay rate or frequency of holding a second job. Those on AFDC and not working obviously had ended their labor force participation, but only 10 percent of this group attributed their unemployment to their desire to avoid losing their AFDC grant.

In summary, the depressed economy appears to have affected the labor force participation of AFDC recipients who worked in January, more than recent Federal policy changes. Almost two-thirds of the respondents are no longer on AFDC and have increased their labor force participation. Those who remain on AFDC are split evenly between those who are participating in the labor force at the same level as in January and those who are unemployed. Further decreases in employment can be expected among those who remain on the caseload as they become more aware of the impact of the expiration of their four month income disregard incentive. This should also diminish the initial work incentive for two groups not included in this study: new recipients and recipients who were not working in 1981.

LABOR FORCE PARTICIPATION

	January 1982	July 1982
HOURS WORKED PER WEEK	30.5	28.0

- Those off AFDC and working increased their weekly hours worked from 35.8 to 37.4.
- Those on AFDC and working increased their weekly hours worked from 24.8 to 25.2.
- Those on AFDC and not working decreased their weekly hours worked from 15.1 to 0.

	January 1982	July 1982
HOURLY PAY	$5.17	$5.48

- Those off AFDC and working increased their hourly pay rate from $5.48 to $5.82.
- Those on AFDC and working decreased from $4.18 to $4.16.
- Those on AFDC and not working decreased from $4.54 to 0.

	January 1982	July 1982
DIDN'T HAVE A JOB	9.0%	19.5%

- 9.5% of those cut off AFDC in February didn't work in July, while 36.5% of those with grants reduced in February didn't work in July.

	January 1982	July 1982
HAD A SECOND JOB	4.3%	5.9%

- Those off AFDC and working increased from 4.2% to 8.1%.
- Those on AFDC and working decreased from 4.5% to 2.3%.

	July 1982
DIDN'T HAVE SAME JOB AS IN JANUARY 1982	23%

Major Reason Given

Laid off/fired	34.2%
Needed higher pay	10.5%
Health	8.8%
More challenging job	8.8%
Avoid losing grant	5.2%

- 16% of those off AFDC and working didn't have the same job as in January. Of those who didn't have the same job, 38% found better paying or more challenging jobs while 27% were laid off/fired.

- 18% of those on AFDC and working didn't have the same job as in January. Of those who didn't have the same job, 22% were laid off/fired, and 14% found better paying or more challenging jobs.

- Of those on AFDC and not working, 36% were laid off/fired and 10% were not working to avoid losing their grant.

MADE CHANGES IN EMPLOYMENT DUE TO CHANGES IN AFDC STATUS	15.6%

- Of those who reported changes, two-thirds got a better paying job, a second job or worked more hours, and one-fourth either quit their jobs or worked fewer hours.

- Those off AFDC and working made 85% of the changes in order to earn more money by working more or getting a better paying job.

ECONOMIC STATUS*

The monthly net income of respondents dropped from $832 to $770 during the six month study period. By comparison, the 1980 Census reports that fewer than 10 percent of Twin Cities families had incomes this low. The decrease in net income was primarily due to the reductions in AFDC grants for respondents and is reflected in a lower proportion of net income generated from public sources in July. Average monthly net earnings from work remained constant for households in the study.

These findings vary significantly by AFDC/work status in July. All groups had decreased net income but those off AFDC and working had increased net earnings from work but replaced only one-half of their previous unearned income; those on AFDC and working remained fairly constant on all income measures; those on AFDC and not working almost balanced their loss of earnings by significantly increasing their unearned income. These groups also differed dramatically on their proportion of net income generated from public sources ranging from 8 percent for those off AFDC and working to 94 percent for those on AFDC and not working. Thus those off AFDC and working are virtually independent of public subsidies for support while those on AFDC and not working are totally dependent on public subsidies for their survival.

Monthly net expenses for basic needs increased for groceries and out-of-pocket medical expenses (due to limited health insurance coverage), and decreased for housing costs (due to lower utility bills in the summer) and day care. The percentage of net income used for basic needs increased for all groups--those off AFDC and working from 73 to 85 percent, those on AFDC and working from 76 to 85 percent, and those on AFDC and not working from 86 to 87 percent.

Thus, the economic status of respondents has been reduced over time, independent of AFDC/work status in July. All groups had reduced net income in July. Furthermore, basic needs consumed an increased proportion of net income for all groups despite lower energy costs in July.

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*The following definitions are used in text and tables.

Net Income: Net earnings from work plus all public subsidies (including AFDC) plus income from other sources (including financial assistance from friends/relatives, child support, interest, rental income, etc.).

Unearned Income: Net income minus net earnings from work.

ECONOMIC STATUS

	January 1982		July 1982	
	Mean	S.D.	Mean	S.D.
MONTHLY INCOME				
Gross Income	$987	$326	$962	$509
Net Income	$832	$246	$770	$288

- Those off AFDC and working decreased net income from $879 to $827.
- Those on AFDC and working decreased net income from $775 to $769.
- Those on AFDC and not working decreased net income from $686 to $638.

Gross earnings from work	$643	$368	$645	$463
Net earnings from work	$491	$264	$487	$335

- Those off AFDC and working increased net earnings from $600 to $683. Three-fourths of the individuals in this group increased their net earnings.
- Those on AFDC and working decreased net earnings from $335 to $316. Members of this group were equally likely to increase or decrease net earnings.
- Those on AFDC and not working decreased net earnings from $209 to 0.

Net earnings from work of other household members on AFDC	$ 10		$ 27	
Unearned income	$331		$256	

- Those off AFDC and working decreased unearned income from $272 to $121. Four-fifths of the individuals in this group decreased their unearned income.
- Those on AFDC and working had constant unearned income of approximately $425.
- Those on AFDC and not working increased unearned income from $460 to $620. Three-fourths of the individuals in this group increased their unearned income.

	January 1982	July 1982
AFDC grant	$ 254	$ 95

- Those off AFDC and working had their grants decreased from $219 to $0.
- Those on AFDC and working had their grants decreased from $332 to $249.
- Those on AFDC and not working had their grants decreased from $321 to $318.

Other public subsidies (e.g. food stamps, rent subsidy, fuel assistance, etc.)	74	106
Percent net income from public sources	40.1%	31.8%

- Those off AFDC and working decreased from 29% to 8%.
- Those on AFDC and working stayed constant at 54%.
- Those on AFDC and not working increased from 69% to 94%.

MONTHLY EXPENSES

Housing

	January 1982	July 1982
Homeowners - mortgage	$ 252	$ 262
Homeowners - utilities	131	83
Homeowners total	383	345
or		
Renters - rent	290	311
Renters - utilities	57	34
Renters total	347	345

- Housing costs did not vary by AFDC/work status.

Groceries	159	168

- Grocery costs did not vary by AFDC/work status.

Day Care	82	63

- Those off AFDC and working decreased day care costs from $96 to $80
- Those on AFDC and working remained constant at approximately $70.
- Those not working decreased expenditures from $44 to $0.

Medical Expenses	10	29

- Those off AFDC and working increased out-of-pocket medical expenses from $11 to $39.
- Those on AFDC had a limited amount of medical expenses out-of-pocket.

USE OF NET INCOME TO MEET BASIC NEEDS

	January 1982	July 1982
Percent net income for housing (including utilities)	45.6%	55.4%*
• All groups increased their percent net income for housing--off AFDC and working from 43 to 48%, on AFDC and working from 46 to 48%, and on AFDC and not working from 56 to 59%.		
Percent net income for food	20.3%	25.2%*
• Steady increase of 3 to 4% across all three groups in percent net income for food.		
Percent net income for day care	9.3%	7.8%
• Those off AFDC and working decreased from 10.5 to 9.5%. • Those on AFDC and working increased slightly from 9.4 to 9.7%. • Those on AFDC and now working decreased fom 4.7 to 0%.		
Percent net income for out-of-pocket medical expenses	1.5%	5.8%*
• Those off AFDC and working increased from 1.5 to 6%. • Those on AFDC remained constant at approximately 2%.		

*These figures include the higher proportion of net income used to meet basic needs by the small number of those off AFDC and not working.

HEALTH CARE

When on AFDC, recipients and their children had health insurance coverage provided by Medicaid, though those employed often had insurance through their work place as well. Eligibility for Medicaid ends with termination from AFDC making health care potentially more costly and less accessible to the individual.* Those lacking adequate health insurance coverage are expected to delay seeing physicians and dentists except for acute conditions.

The vast majority of families continued to have a usual source of health care, with approximately two-thirds using a private physician. Approximately one-third of the respondents and one-fourth of the children had private health insurance coverage (in addition to Medicaid) prior to the cutbacks. Families have increased their use of HMO's as a usual source of care, have more frequently delayed seeing physicians and dentists because of problems with payment, and reported paying over 40 percent of their health care bills out-of-pocket. Fifteen percent of the respondents and 25 percent of their children had no health insurance in July 1982; rates considerably higher than the 10 percent of the population that are uninsured in the larger SMSA's in the country (National Health Care Expenditure Study, Data Preview 1, National Center for Health Services Research, 1982).

Those off AFDC and working made the largest changes. One fifth of that group and more than one third of their children did not have health insurance coverage in July. They paid over half of their health care bills out-of-pocket, and delayed seeing physicians and dentists significantly more often than those who remained on AFDC. Many have already been severely impacted by no longer being eligible for Medicaid and the potential of even more severe problems looms in the long run.

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*A Minnesota Federal Court decision partially ameliorated this problem by ruling that increases in income could not lead to immediate termination of Medicaid. For those terminated from AFDC because of increased earnings, Medicaid eligibility was extended four months.

HEALTH CARE

HAD A USUAL SOURCE OF HEALTH CARE

	January 1982	July 1982
Respondents	91.2%	90.8%
Children	97.7%	94.8%

- Those who continued to receive AFDC grants were more likely to have a usual source of care in July 1982 (95% vs. 89%)

TYPE OF USUAL SOURCE HEALTH CARE

	January 1982		July 1982	
	Respondents	Children	Respondents	Children
Doctor's office	71.2%	70.4%	64.2%	60.9%
Community clinic	12.2%	10.8%	12.1%	13.7%
HMO	8.5%	6.1%	12.5%	12.1%
Hospital Outpatient Department	6.5%	11.4%	8.3%	10.4%
Hospital Emergency Room	1.2%	1.3%	2.6%	2.7%
Other	.4%	--	.2%	.2%

- Those off AFDC and working used HMO's more often as the usual source of care for themselves (17%) and their children (16%) in July 1982.
- Those still on AFDC used community clinics more often for themselves (17%) and their children(15%) in July 1982.

DELAY SEEING HEALTH PROVIDERS DUE TO COST

	8/81 to 1/82	2/82 to 7/82
Didn't have enough money to pay doctor	9.5%	30.7%
Didn't have enough money to pay dentist	12.4%	37.2%

- Those off AFDC and working had greater delays in seeing a physician (40% vs. 13%) and a dentist (50% vs. 11%) due to cost.

HEALTH INSURANCE COVERAGE

	January 1982		July 1982	
	Respondents	Children	Respondents	Children
Medicaid	63.2%	77.0%	36.0%	36.5%
Medicaid and private	36.8%	23.0%	4.5%	4.0%
Private	--	--	44.3%	34.0%
None	--	--	15.2%	25.5%

- 69% of those off AFDC and working had private health insurance coverage in July 1982, 21% had no health insurance coverage and 10% still had Medicaid.
- 52% of the children of this group had private insurance coverage, 37% had no health insurance, and 11% had Medicaid.

PAYMENT SOURCE FOR HEALTH CARE BILLS

	8/81 to 1/82	2/82 to 7/82
Medicaid	85.7%	32.4%
Private	11.3%	25.7%
Self/other	2.0%	41.9%

- Those off AFDC and working paid 55% of their health care bills out-of-pocket.

	July 1982
MADE CHANGES IN HEALTH CARE DUE TO CHANGE IN AFDC STATUS	36.6%

- For those off AFDC and working: 50% made no changes, 33% reduced or stopped their use of physicians/dentists, 6% got health insurance coverage through work, 5% switched to less expensive health providers, 6% made other changes.

DAY CARE

Seven of every eight families have children aged 12 or younger. Most of these children will need day care when their parents are working. For those on AFDC, day care expenses are reimbursed, but now with an upper limit of $160 per month per child. For those off AFDC, there is no obvious choice of how to provide this care. People can try to pay out of their own pockets, look for less expensive providers, provide care through themselves or other members of their household, or seek other forms of assistance. Hennepin County, for example, using its own resources and federal Title XX funds, will provide day care vouchers to families whose incomes are below 60 percent of the state median.

The tables below describe what changes people had made by July*. People were asked how day care was provided while they were working. People out of work no longer use such day care. Those working had increased their use of day care, but had found many ways to lower their monthly dollar outlay. These ways included: a one-third increase in their use of Hennepin County/Title XX funds, switching from formal day care to relatives, leaving the child alone for part of the time, or switching to less expensive day care centers. These changes had not been made without a price being paid. There had been a small but growing number of people dissatisfied with the day care their children were getting and a similar pattern in the number of children needing, but not getting, day care.

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*Some of these indicated changes must be viewed with caution due to the possibility of non-comparable use patterns in a period when children are on summer vacation from school.

DAY CARE

	January 1982	July 1982
FAMILY MONTHLY OUT-OF-POCKET EXPENDITURE FOR DAY CARE	$ 82	$ 63

- Costs for all groups had dropped by July.
- For those not working, expenditures had dropped from $44 to nothing.
- Those off AFDC and working had cut costs from $96 to $80.
- Those on AFDC and working kept costs constant at about $70.

	January 1982	July 1982
PERCENT OF CHILDREN WHOSE DAY CARE IS FINANCIALLY SUPPORTED BY OTHERS	9.2%	12.4%

- Title XX/Hennepin County provided entire increase.
- Those working and off AFDC increased from 12% to 25%.
- Those on AFDC reduced from 9% to 1%.

	January 1982	July 1982
AVERAGE NUMBER OF HOURS PER WEEK OF OUTSIDE DAY CARE PER FAMILY	26.7	34.8

- Those not working had eliminated day care, dropping from an average of 20 hours.
- Major increase for those off AFDC: from 25 to 46 hours.
- Those on AFDC and working increased from 25 to 29 hours.

MAJOR SOURCES OF DAY CARE

	January 1982	July 1982
Day care center	26%	26%
Relative	13%	15%
Friend/neighbor	17%	13%
Babysitter	12%	12%
No one	14%	12%
Another child in the house	8%	8%
Other or mix of above sources	10%	14%

- These figures camouflage much change resulting from the stoppage of day care by those no longer working.
- Those off AFDC and working were using friends/relatives more--14% in July compared to 9% in January.
- Those on AFDC and working had reduced use of day care centers from 19% to 8% in July.

	January 1982	July 1982
MADE CHANGES IN DAY CARE DUE TO CHANGE IN AFDC STATUS		17.1%

- For those changing, the major change was to relative (23%), cheaper day care (23%), or leaving the child alone (14%).
- Those off AFDC made most changes.
- Only 7% of those on AFDC made changes.

CHILDREN GETTING UNSATISFACTORY DAY CARE	4.9%	7.9%

- Quality was the major reason.
- Those off AFDC and working accounted for most of the dissatisfaction. 12% were dissatisfied in July 1982 compared to 6% in January.

CHILDREN NEEDING DAY CARE BUT NOT RECEIVING IT	5.5%	8.6%

- Cost was the major factor.
- Those off AFDC and working increased from 5% to 11%.
- Those on AFDC and working increased from 3% to 6%.

HOUSEHOLD COMPOSITION

Household composition did not change for as many people as expected. The biggest change was marriage for an additional 3 percent of the respondents, but this did not appear to result from changes in AFDC status.

	January 1982	July 1982
LIVED WITH SPOUSE	18 (3.2%)	35 (6.3%)
• Those off AFDC and working accounted for 14 of the 17 respondents who got married.		
LIVED WITH PARENTS	47 (8.4%)	47 (8.4%)
• No change by AFDC/work status in July.		
LIVED WITH UNRELATED INDIVIDUAL	73 (13.1%)	65 (11.6%)
• No change by AFDC/work status in July.		
MADE HOUSING CHANGE DUE TO CHANGE IN AFDC STATUS		
Moved to relative's home		9 (1.6%)
Got a roommate		13 (2.3%)
NUMBER OF HOUSEHOLD MEMBERS		3.2
NUMBER OF CHILDREN		1.8
NUMBER OF CHILDREN 0 - 12		1.3

HOUSING

The typical family continues to rent a house or apartment with an average of five rooms (excluding bathrooms). Very few families have moved in with relatives and are not paying rent. Approximately 15 percent of families have moved in the six month period after the cutbacks. This amount of movement is slightly less than the 17 percent of families who moved in the six month period prior to the cutbacks. Cost increased in importance as the major reason for moving, while convenience of location and quality of housing had reduced importance. In summary, housing status has remained relatively constant for AFDC working families affected by the February cutbacks. This finding is independent of AFDC grant and work status in July 1982.

	January 1982	July 1982
RENTAL/OWNERSHIP STATUS		
Rent	80.3%	78.7%
Own	19.2%	19.7%
Live with relatives - no cost	.5%	1.6%
AVERAGE NUMBER OF ROOMS (excluding bathrooms)	4.9	5.0

	8/81 to 1/82	2/82 to 7/82
NUMBER OF MOVES		
None	82.8%	85.7%
One	15.8%	12.9%
More than one	1.4%	1.4%

	2/81 to 1/82	2/82 to 7/82
MAJOR REASON FOR LAST MOVE		
Cheaper to live there	30.6%	41.3%
More space	22.0%	8.8%
Overall quality better	10.8%	10.0%
Closer to work	9.7%	3.7%
Closer to friends/relatives	4.3%	0%
Change in household composition	3.8%	8.8%
Evicted	0%	3.7%
Other reason	18.8%	23.7%

FINANCIAL EMERGENCIES

All groups had a small increase in the incidence of financial emergencies. Thirty percent of respondents had a threatened or actual utility shutoff during the six month period ending in July 1982 and almost half of the respondents had problems with buying enough food.

A limited number of families got help from fuel assistance programs, emergency assistance programs, or emergency food shelves/food shelters. Those off AFDC and working had proportionately more problems with day care costs and fewer problems with being able to buy enough food than families still on AFDC. In summary, financial emergencies remain a problem for all respondents with utility shutoffs, day care costs, and food costs the biggest problems. These problems could become more severe in the upcoming winter months.

FINANCIAL EMERGENCIES

	8/81 to 1/82	2/82 to 7/82
UTILITY SHUTOFFS		
Threatened	16.1%	23.8%
Shutoff	5.1%	5.9%

- Majority responded by working out payment plan.
- 15% got help from fuel or emergency assistance programs.

	8/81 to 1/82	2/82 to 7/82
REPOSSESSIONS		
Threatened	1.5%	2.0%
Repossessed	.5%	--
EVICTION/FORECLOSURE		
Threatened	4.7%	5.4%
Eviction/foreclosure	1.3%	1.6%
STOPPED DAY CARE DUE TO COST	7.5%	9.1%

- Almost one-half responded by using relatives/friends for day care and one-fourth left their children alone.
- Those off AFDC and working stopped day care due to cost more often than those still on AFDC (11.5% vs. 4.5%).

	8/81 to 1/82	2/82 to 7/82
COULD NOT BUY SUFFICIENT FOOD	47.8%	45.9%

- Almost one-half responded in July by eating less or cheaper food, 20% borrowed money from friends/relatives, 11% used emergency food shelves/food shelters, and 10% ate meals at friends/relatives.
- Those still on AFDC had greater problems with being able to buy enough food for their families than those off AFDC and working (54% vs. 43%).

PERCEPTIONS OF LIFE

Observable facts do not provide a complete picture of the impact of federal cutbacks on AFDC recipients. At the close of the interview, respondents were asked to rate their feelings about different aspects of their lives on a 1 to 10 scale with 10 meaning best, 5 meaning about average, and one meaning the worst feeling. Below are the average ratings for July. Data on January perceptions could not be accurately collected since the first survey was completed late April.

The respondents felt their overall standard of living was about average. They felt above average about many aspects except those with financial consideration: income, security, and chances for getting ahead. Those currently on AFDC felt better about their everyday needs (health care, day care) being met but worse about their chances of making it on their own than those off AFDC. Predictably, those working felt better about their jobs, income, and financial security than those not working. They also felt better about their children's job opportunities. In July 1982, as a group, the respondents felt they could get by, but did not have great hopes for improvement.

PERCEPTIONS

	July 1982 Rating Average	S.D.
OVERALL STANDARD OF LIVING • No difference among groups.	4.8	2.2
JOB - PAY, BENEFITS, SECURITY • Those not working were significantly lower (3.1).	5.3	2.6
JOB - HOURS AND AMOUNT OF WORK • Those not working were significantly lower (3.4).	5.9	2.7
HOME - AMOUNT OF SPACE • No difference among groups.	6.5	2.8
HOME - CONVENIENCE OF LOCATION • No difference among groups.	7.6	2.4
HOME - CONDITION OF BUILDING • Those on AFDC and not working were slightly lower (6.1).	6.7	2.6
NEEDS MET - FAMILY HEALTH CARE • Those off AFDC were significantly lower (6.1).	6.9	3.0
NEEDS MET - CHILDREN'S DAY CARE • Those on AFDC and working were slightly higher (8.0).	7.6	2.9
CHILDREN'S SCHOOL • No difference among groups.	7.4	2.7
CHILDREN'S FUTURE JOB OPPORTUNITIES • Those not working were slightly lower (4.5).	4.9	2.5
HOUSEHOLD INCOME • Highest for those off AFDC and working (4.2). • Significantly lower for those not working.	3.9	2.2
FINANCIAL - SECURITY • Highest for those off AFDC and working (3.6). • Significantly lower for those not working (3.0).	3.3	2.3
CHANCES FOR GETTING AHEAD • No difference among groups.	4.4	2.7
CHANCES FOR MAKING IT ON YOUR OWN • Those on AFDC were significantly lower (4.5).	5.4	2.9

CONCLUSIONS

In general, working AFDC recipients affected by new federal regulations on February 1, 1982, seemed to be getting by six months later. This survival has not been attained without various adjustments and some dissatisfaction. There are early indications that crises may loom in the future, particularly in utility shutoffs and health care for those now off the AFDC caseload. The situation could get worse if the economy remains depressed, unemployment rates continue high, and as recipients become aware of the expiration of their four month income disregard incentive.

The respondents present a good picture of how AFDC recipients who were working in January had responded to the federal cutbacks six months later. The preliminary findings for hypothesized changes in each of the seven major areas presented in the beginning of this report include:

- Labor Force Participation. A substantial number have increased their labor force participation as they strive to maintain independence from public subsidies. However, there appears to be little incentive remaining for those on AFDC to start or continue working.
- Economic Status. Net income had declined for all groups and basic needs consumed a larger portion of income despite lower energy costs in July. There is a large group of working recipients who were terminated from AFDC and who have maintained their independence from the program. However, half of those remaining on AFDC are no longer working and are totally dependent on public subsidies for their survival.
- Health Care. Twenty-one percent of those off AFDC and working, and 37 percent of their children had no health insurance in July. This has resulted in over half their health care bills being paid out-of-pocket and in significantly increased delays in their seeing physicians and dentists. The ability to get health care, when necessary, has become a major problem for those no longer on AFDC.
- Day Care. Those not working had eliminated day care. Those working were using more hours (partly because they were working more hours and partly because their children were not in school in July), but they had found cheaper sources. There are a growing number of respondents dissatisfied with the day care their children are getting and a growing number of children needing, but not getting, day care.
- Household Composition. Contrary to expectations, no substantial changes were made in household composition.

- Housing. No substantial changes occurred in this area. In fact people moved less frequently than in the six months prior to the cutbacks. For those who did move, cost saving had increased in importance as the major reason for moving.
- Financial Emergencies. Food shortages continued to be a problem for nearly one-half of this low-income population. Threats or actual utility shutoffs increased, burdening nearly one-third of the respondents.

Three things could have happened to working AFDC recipients in February: termination, grant reduction, or grant increase for a few. This initial change only partly accounted for an individual's July status with respect to AFDC and work. Those with the largest earnings were terminated and largely continued to support themselves through work. Those with lower earnings had their AFDC grants reduced. Only one-third of this group was still on AFDC and working. Another one-third had subsequently gone on to support themselves, but the last one-third were out of work and supported solely by AFDC and other public subsidies. Those with the lowest earnings actually received some increase in their AFDC grant. By July, 60% of this small group were not working, but one-quarter were supporting themselves and no longer on AFDC.

By July, these people had sorted themselves into three main groups: working and off AFDC, working and on AFDC, and not working and on AFDC. Each group could be expected to behave somewhat differently in reaction to their new circumstances. Those who were off AFDC and working had the highest income of the three major groups. They had lost the most, but replaced about half that income through working more hours and taking second jobs. This required using more day care, but of different and less satisfactory types; more children needing day care were not getting it. This group's biggest potential problems were with health care. One-fifth of the respondents in this group and almost forty percent of their children were without health insurance. As a consequence, this group was paying half its medical expenses out-of-pocket and therefore delaying trips to the doctor and dentist. Nevertheless, this group most felt able to "make it on their own."

Those still on AFDC and working in July had suffered the smallest loss of income, but their net income was lower than the prior group. Their incentive to work, however, should diminish as they become aware of the expiration of the four month income disregard. They had experienced the same problems of lack of food and utility shut-offs as respondents as a whole. Their health care needs were met by Medicaid.

Those on AFDC and not working had the lowest net income. Their health care needs were covered by Medicaid, but they had stopped day care altogether. Most lost their jobs rather than quitting them and their incentive to work has probably been diminished due to the expiration of the income disregard. More than any other group, they have low perceptions about their financial situation now and in the future, including job opportunities for their children. They have become totally dependent on public subsidies for their survival.

Six months is too short a period for people to have made final adjustments to their new situations or experience crises which may cause new instabilities. A third survey to be conducted in February 1983 will provide a more complete picture of the impact of federal cutbacks on working AFDC recipients. Major problems for this entire low income group continue to be access to sufficient food and increasingly includes threats or actual utility shut-offs. Those now off AFDC and working have higher net incomes but day care and, to a much larger extent, the lack of health insurance coverage and increased out-of-pocket medical expenses may become major problems for those striving to remain independent of public support.